

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)  
CONDUIT 501(c)(3) REVENUE BOND FINANCING PROGRAM**

**STAFF REPORT**

**EXECUTIVE SUMMARY**

<b>Applicant:</b>	Segerstrom Center for the Arts (Borrower or Segerstrom)	<b>Par Amount Requested:</b>	Not to exceed \$70,000,000
<b>Applicant Description:</b>	Segerstrom (formerly known as the Orange County Performing Arts Center) is a California nonprofit public benefit corporation organized for the purpose of promoting and developing an interest in, and an appreciation for, arts, music, dance and theater for the residents of Southern California. Segerstrom's mission is to help shape Orange County's future through meaningful collaborations with diverse communities, embracing creativity in all its forms and enabling a more inclusive and vibrant performing arts community in Orange County and across the Southern California region. Segerstrom's goal is to show that communities thrive when exposed to the performing arts.		
<b>Type of Financing:</b>	<p>The Borrower requests the issuance of conduit tax-exempt fixed rate bonds (Bonds), not to exceed \$70 million for refunding all or portion of the IBank issued Series 2008A and Series 2008B Bonds, funding a debt service reserve fund, and paying costs of issuance (2008 Refunding).</p> <p>The 2008 Refunding was previously authorized on May 24, 2016 by the IBank Board in Resolution No. 16-12. After reaching an agreement with the Series 2008A and Series 2008B Bonds holders, Segerstrom decided to refund only the Series 2008D and Series 2011A under Resolution No. 16-12 through issuance of the California Infrastructure and Economic Development Bank Revenue Bonds (Seegerstrom Center for the Arts) Series 2016 (Prior Bonds). Considering current market condition and unexpected pricing results for the Prior Bonds, the Borrower has now decided to refund the Series 2008A and Series 2008B Bonds.</p>		
<b>Project Description:</b>	The project (Project) consists of (1) refunding all or a portion of the Series 2008A and Series 2008B (2) establishing a debt service reserve fund, and (3) paying costs of issuance.		
<b>Project Site:</b>	615 Town Center Drive, Costa Mesa, CA 92626 (Orange County)		
<b>Plan of Finance:</b>	IBank will issue up to \$70 million in conduit tax-exempt fixed rate bonds for Segerstrom. The proceeds of the Bonds will be used to (1) refund all or a portion of IBank's Variable Rate Demand Revenue Bonds (Orange County Performing Arts Center), Series 2008A and Series 2008B and each of which was issued to refinance certain costs of the construction, equipping and furnishing of certain improvements to Segerstrom's performing arts facilities, consisting of a concert hall named the Renée and Henry Segerstrom Concert Hall, with a capacity of approximately 2000 seats; a multi-purpose theater named the Samueli Theater, with a capacity of approximately 500 seats; an education center; a public restaurant; a private donor room; rehearsal spaces; artist accommodations; a pedestrian plaza; and related and appurtenant facilities all located in the City of Costa Mesa, California, (2) establish a debt service reserve fund to secure the Bonds and (3) pay other expenditures relating to the issuance of the Bonds, including the costs of issuance incurred in connection with the issuance and sale of the Bonds.		

<b>Type of Issue:</b> Public Offering <b>Tax Status:</b> Tax-exempt <b>Term:</b> Up to 15 years <b>Credit Enhancement:</b> None <b>Credit Rating:</b> S&P, A- <b>Fees:</b> Application Fee \$1,500; Issuance Fee \$62,500 (Including STO Fee of \$8,000); Annual Fee \$500		
<b>Estimated Sources of Funds:</b> <b>Bond Proceeds:</b> Par Amount \$58,595,000 Premium \$11,792,829.70  <b>TOTAL SOURCES</b> <b>\$70,387,829.70</b>	<b>Estimated Uses of Funds:</b> <b>Project Fund Deposits:</b> Cash Deposit \$70,000,000  <b>Delivery Date Expenses:</b> Cost of Issuance \$180,000 Underwriter Discount \$205,082.50  <b>Other Uses of Funds:</b> Additional Proceeds \$2,747.20  <b>TOTAL USES</b> <b>\$70,387,829.70</b>	
<b>Financing Team:</b> <b>Bond Counsel</b> Stradling Yocca Carlson & Rauth <b>Tax Counsel:</b> Stradling Yocca Carlson & Rauth <b>Underwriter:</b> Wells Fargo; US Bancorp <b>Financial Advisor:</b> PFM Financial Advisors, LLC <b>Trustee:</b> Union Bank <b>Borrower’s Counsel:</b> Rutan and Tucker		
<b>Public Benefits:</b>	Segerstrom’ s Performing Arts Center (the Center) improves the quality of life for Southern California’s growing population and visitors to Orange County by offering a venue for performing arts shows and educational programs. Further, thousands of free tickets are made available to students and the underprivileged each year. Segerstrom’s educational programs will reach approximately 350,000 young people in seven California counties annually.	
<b>Date of Board Meeting:</b> June 28, 2016	<b>Resolution Number:</b> 16-19	<b>Prepared by:</b> John Belmont on 6/16/2016
<b>Staff Recommendation:</b> Staff recommends approval of Resolution No. 16-19 authorizing the issuance of conduit, tax-exempt fixed rate bonds, not to exceed \$70,000,000, for the benefit of Segerstrom Center for the Arts.		

## BACKGROUND AND HISTORY

In the late 1960's, the initial idea and frame work of building a concert hall as a world-class venue for performances of the Philharmonic Society of Orange County, Pacific Chorale and Pacific Symphony was formed. In 1979, the Segerstrom Family donated a five-acre parcel of land to establish the Segerstrom Center for the Arts (Borrower or Segerstrom), formerly known as the Orange County Performing Arts Center. Segerstrom was founded by Renée and Henry Segerstrom and opened on September 29, 1986 with a concert in its Segerstrom Hall. Segerstrom's founders determined that the new performing arts complex located in Costa Mesa, California, would be established with private funds and government funding would not be solicited or accepted.

In 1998, the Segerstrom family purchased another parcel of land and in 2000, Henry Segerstrom donated \$40 million to the Borrower to construct a concert hall, a multi-use theater, an educational center, public restaurant and community plaza. The Center includes several performance facilities such as the 3,000 seat Segerstrom Hall, 2,000 seat Renée and Henry Segerstrom Concert Hall, 500 seat multi-functional Samueli Theater, 250 seat Judy Morr Theater, and a 46,000 square foot Arts Plaza. The 500 seat Samueli Theater was named in recognition of \$10 million gift from the Samueli Family Foundation. The Segerstrom Hall and Judy Morr Theater were designed by Charles Lawrence and opened in 1986. The Renée and Henry Segerstrom Concert Hall, Samueli Theater and the Lawrence and Kristina Dodge Education Center were designed by Cesar Pelli, an architect who has received numerous awards and other honors for his work including the American Institute of Architects Gold Medal in 1995.

In September 2015, Segerstrom in collaboration with the American Ballet Theatre (ABT) opened the American Ballet Theatre William J. Gillespie Ballet School at Segerstrom (School). The School combines the resources of ABT, America's National Ballet Company and Segerstrom. William J. Gillespie has been a board member of ABT since 1999.

Segerstrom is home to three resident companies: Pacific Symphony, the Philharmonic Society of Orange County, and Pacific Chorale. In addition, the Lawrence and Kristina Dodge Education Center provides educational art programs to students and educators ranging from grade school through college.

The California Secretary of State reports active status for the Borrower. Current leadership is listed in Appendix A.

## PROJECT DESCRIPTION

The Borrower is requesting the issuance of conduit tax-exempt Revenue Bonds (Segerstrom Center for the Arts), Series 2016B (with such additional series designations as are authorized in the Indenture) (Bonds) in an amount not to exceed \$70,000,000 to (1) refund all or a portion of IBank's Variable Rate Demand Revenue Bonds (Orange County Performing Arts Center), Series 2008A and Series 2008B, each of which was issued to refinance certain costs of the construction, equipping and furnishing of certain improvements to the Center consisting of a concert hall named the Renée and Henry Segerstrom Concert Hall, with a capacity of approximately 2000 seats; a multi-purpose theater named the Samueli Theater, with a capacity of approximately 500 seats; an education center; a public restaurant; a private donor room; rehearsal spaces; artist accommodations; a pedestrian plaza; and related and appurtenant facilities all located in the City of Costa Mesa, California, (2) establish a debt

service reserve fund to secure the Bonds and (3) pay other expenditures relating to the issuance of the Bonds, including the costs of issuance incurred in connection with the issuance and sale of the Bonds.

Seegerstrom is refunding all or a portion of the following Prior Bonds:

<b>Bond Issue</b>	<b>Par Amount</b>	<b>Outstanding as of December 31, 2015</b>	<b>Maturity Date</b>	<b>Purpose</b>
Series 2008A	\$90,000,000	\$69,320,000	7/1/2034	Refunding
Series 2008B	\$90,000,000	\$69,320,000	7/1/2034	Refunding

The Series 2008A and Series 2008B were issued to refund the following prior series of bonds:

- IBank Variable Rate Revenue Bonds, Series 2004A, 2004B and 2004C (2004 Bonds);
- IBank Variable Rate Revenue Bonds Series 2007A and 2007B (2007 Bonds)

The Series 2004 Bonds and the Series 2007 Bonds were issued to finance the construction, equipping and furnishing of improvements to the Center. The construction began in February 2003, and the Center opened for performances in September 2006 and was completed in March 2007.

The Project is comprised of the following property:

Seegerstrom Center for the Arts  
615 Town Center Drive  
Costa Mesa, CA 92626

(see Appendix B--Project Photos).

## FINANCING STRUCTURE

### **IBank Term Sheet The Segerstrom Center for the Arts Date: June 28, 2016**

<b>Bond Par Amount:</b>	Not to exceed \$70,000,000; in one or more tax-exempt series.
<b>Type of Offering:</b>	Public Offering
<b>Underwriter:</b>	Wells Fargo Bank, National Association and U.S. Bancorp Investments, Inc.
<b>Credit Enhancement:</b>	(not expected)
<b>Expected Credit Rating:</b>	Standard & Poor's Rating Services: A-
<b>Interest*:</b>	Not to exceed 6.00%
<b>Maturity:</b>	Maximum July 1, 2031
<b>Collateral:</b>	Corporation's personal property
<b>Guaranty:</b>	None
<b>Expected Closing Date*:</b>	August 4, 2016
<b>Transaction:</b>	(i) Refund all or a portion of the outstanding California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (Orange County Performing Arts Center), Series 2008A and Series 2008B, and (ii) Establish a debt service reserve fund to secure the Bonds; and (iii) Pay of costs of issuance for the Bonds.

\*Please note that Interest Rate and Closing Date are subject to change.

### **Financing Structure**

The interest rate on the Bonds will be a fixed rate not to exceed 6%. The Bonds are not subject to redemption prior to their stated maturity.

The Bonds constitute all or partial refunding of unhedged variable rate debt, therefore, fixed rate savings cannot be determined.

### **Limited Obligations of IBank**

The Bonds are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents. Neither IBank, nor any of the members of its Board of Directors, nor any of its officers or employees, nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Bonds or subject to any personal liability or accountability by reason of the execution thereof. The Bonds are

limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

## PUBLIC BENEFITS

Segerstrom's education department has 10 different programs that reaches over 350,000 students each year, in seven California counties. The Center provides a vehicle for its young people to participate in performing arts educational programs, and each year the Borrower offers thousands of free tickets to students and the underserved. These programs are designed to bring students from grammar school through the university level into contact with many different disciplines of performing arts and exposure to seasoned, accomplished professional artists. Segerstrom provides performances, workshops, and residencies to promote arts at schools throughout Southern California and collaborates with Disney to introduce musical theater to schools. Through this program, schools will receive a 17-week musical theater residency as a 30 minute Disney KIDS Musical at the school site, working with professional teaching artists. Annually, the Arts Teach Showcase, a free event, is held at the Renée and Henry Segerstrom Concert Hall where more than 60 internationally acclaimed professional artists attend, representing a variety of art forms such as dance, music, theater, storytelling and the visual arts.

Segerstrom supports community through partnership with various organizations:

- **Military Families:** Hands-on workshops, and performances
- **Children's Hospital Orange County:** Teaching artists visit patients, and deliver therapeutic arts programs
- **Big Brothers Big Sisters:** Dance and theater workshops
- **Aids Services Foundation:** Visual arts program for youth affected by HIV/AIDS
- **California State University, Fullerton Partnership:** Training for teachers and students
- **Alzheimer's Orange County:** Music, dance and movement to early-stage Alzheimer patients
- **Community Events:** Providing hands-on activities by artists at community events

Segerstrom's performing arts educational programs are offered through: Master classes, Broadway training, Summer classes, and ABT William J. Gillespie Dance School. The teachers at Master Classes are artists from Broadway, television, jazz, classical music and the world's leading dance companies.

In addition to its various artistic programs offered via its performance facilities, the Center is also the artistic home to three resident companies: Pacific Symphony, the Philharmonic Society of Orange County and Pacific Chorale. These companies perform at the Renée and Henry Segerstrom Concert Hall.

## OTHER PROJECT DATA

<b>PERMITS AND APPROVAL</b>	
Required?	<input type="checkbox"/> <b>NO</b> <input checked="" type="checkbox"/> <b>YES, Describe:</b> All approvals have been obtained.
<b>TEFRA</b>	
Date of TEFRA Publication:	N/A
Publications:	N/A
Oral/Written Comments:	<b>NO</b> <input type="checkbox"/> <b>YES, Explain:</b> N/A
<b>ELIGIBILITY REVIEW</b>	
Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO</b>	<ol style="list-style-type: none"> <li>1. Project is in the State of California.</li> <li>2. The Borrower is capable of meeting the obligations incurred under relevant agreements.</li> <li>3. Payments to be made by the Borrower to IBank under the proposed financing agreements are adequate to pay the current expenses of the IBank in connection with the financing and to make all the scheduled payments. See Appendix C for Financial Statements.</li> <li>4. The proposed financing is appropriate for the Project.</li> </ol>
<b>INDUCEMENT CERTIFICATE</b>	
Completed?	<input type="checkbox"/> <b>NO</b> <input type="checkbox"/> <b>YES</b> Certificate No.: <input checked="" type="checkbox"/> <b>N/A</b> Date:

## RECOMMENDATION

Staff recommends approval of Resolution No. 16-19 authorizing the issuance of conduit, tax-exempt fixed rate bonds, not to exceed \$70,000,000, for the benefit of Segerstrom Center for the Arts.

## APPENDIX A: GOVERNANCE AND MANAGEMENT

### BOARD OF DIRECTORS

Wylie A. Aitken	Aitken * Aitken * Cohn Santa Ana, CA
Julia Argyros	Philanthropist
Joan Beall	Philanthropist
David E. Blackford	President & CEO California Bank & Trust Irvine, CA
Allen Boerner	CEO Granite Investment Group Irvine, CA
Deborah Bridges	Philanthropist
Sandy Segerstrom Daniels	Managing Partner C.J. Segerstrom & Sons Costa Mesa, CA
Michael Feldman	Head of Wealth Management Union Bank Irvine, CA
Moti Ferder	Lugano Diamonds & Jewelry, Inc. Newport Beach, CA
Jackie Glass	Philanthropist
Joseph Hensley	Market President – SoCal Commercial Banking US Bank Newport Beach, CA
Shanaz Langson	Investment Building Group Newport Beach, CA
Thomas E. Larkin, Jr.	Philanthropist
Leslie Leyton	CEO California Auto Finance Anaheim, CA
General William Lyon	Chairman & CEO William Lyon Homes, Inc. Newport Beach, CA
Ethan F. Morgan	Managing Director, Private Bank J.P. Morgan Irvine, CA
Chris Rommel	SVL, Regional Managing Director Wells Fargo Wealth Management Irvine, CA



Eve Ruffatto	Philanthropist
Harriet Sandhu	Philanthropist
Elizabeth Segerstrom	Philanthropist
Yuri Vanetik	Vanetik International Orange, CA
William W. Wang	CEO Vizio Irvine, CA
Jaynine Warner	Philanthropist
Jane Fujishige Yada	Hiroshi Fujishige Survivor's Trust Irvine, CA

### OFFICERS

John L. Ginger	Chairman of the Board CEO J. Ginger Masonry Riverside, CA
Terrence W. Dwyer	President
Brian Finck	Chief Financial Officer
Roger T. Kirwan	Treasurer/Vice Chair, Investments Chairman & CEO Woodside Credit Irvin, CA
Martha S. Bhathal	Secretary RAJ Manufacturing Tustin, Ca

### EXECUTIVE COMMITTEE

Sally S. Crockett	Vice Chair, Support Groups Philanthropist
Carol Wilken	Vice Chair, Support Groups Philanthropist
James A. Driscoll	Vice Chair, Audit Special Projects Manager PAAMCO Irvine, CA

Stephen T. Fry	Co-Chair, Capital Campaign Steering Chairman, President & CEO Fry Steel Company Santa Fe Springs, CA
Lawrence M. Higby	Co-Chair, Capital Campaign Steering Philanthropist
Betty Huang	Vice Chair, Center Fund Philanthropist
Rick J. Muth	Vice Chair, Facilities President ORCO Block & Hardscape Stanton, CA
Mark C. Perry	Vice Chair, Long Range Planning Vice Chairman, Global Commercial Banking Bank of America Irvine, CA
Pat Poss	Vice Chair, Resident Companies Philanthropist
David H. Troob	Vice Chair, Finance Philanthropist
Gaddi Vasquez	Vice Chair, Education Senior Vice President, Public Affairs Edison International
Anthony A. Allen	Member-at-Large Philanthropist
Zelma M. Allred	Member-at-Large CEO Pool Water Products Irvine, CA
John C. Garrett	Member-at-Large John C. Garrett, Counsel Garrett DeFrenza Stiepel Ryder LLP Costa Mesa, CA
James Mazzo	Member-at-Large Executive Chairman & CEO AcuFocus, Inc. Irvine, CA
William F. Meehan	Member-at-Large Partner Rutan & Tucker, LLP Costa Mesa, CA
Michael Shapiro	Member-at-Large Chairman HOM Sotheby's International Realty Newport Beach, CA

Alan Simon	Member-at-Large Chairman Omaha Steaks Omaha, NE
Timothy L. Strader	Member-at-Large Chairman Starpointe Ventures Irvine, CA
Thomas E. Tucker	Member-at-Large Pennhill Properties Newport Beach, CA
Henry T. Segerstrom	Founding Chairman
David Emmes II	Vice Chair, Board Development President, U.S. Markets – West BNY Mellon Wealth Management Newport Beach, CA

## APPENDIX B: PROJECT PHOTOS

**Renee and Henry Segerstrom Concert Hall**



